UK Sustainability Reporting Standards

UK Finance and AFME response to Department for Business and Trade Exposure Drafts

September 2025

Contents

Introduction

UK Finance is the collective voice for the financial services industry. Representing around 300 firms, we act to enhance competitiveness, support customers, and facilitate innovation.

The Association for Financial Markets in Europe (AFME) is the voice of Europe's wholesale financial markets, representing the leading global and European banks and other significant capital market players. AFME advocates for deep, integrated, and sustainable capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society.

Representing a large portion of the UK's financial services firms, including lenders and investors, we support the International Sustainability Standards Board's (ISSB) standards and their endorsement and implementation in the UK. This is set out in our UK Finance and AFME Sustainability Disclosures paper released in October 2023.

UK Finance and AFME (together the "Associations") are pleased to respond to the Department for Business & Trade's (DBT's) consultation into the adoption of UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2.

Key Messages

- The Associations remain strong supporters of the ISSB's standards, given their role in providing a global baseline for sustainability reporting. We support the UK government's endorsement of the UK Sustainability Reporting Standards (SRS) based on the ISSB standards.

- We support most proposed amendments, with caveats as set out in our responses to questions 1-6.

- There will be costs involved in implementing UK SRS for firms, especially those who do not currently report under the Taskforce on Climate Related Financial Disclosure or other similar frameworks. However, we feel these costs are proportionate to benefits, provided government and regulators do not diverge substantially from the standards.

- Access to data remains a key barrier and challenge for financial institutions as they implement enhanced sustainability disclosures. Government and regulators should enforce their expectations proportionately, in view of the challenges firms continue to face as they develop best practice. Standards should explicitly allow for the use of best-available data, estimates and periodic updates without implying error. Similarly, forward-looking disclosures such as targets and transition plans depend on external factors. We support proportionate liability and clear safe-harbour protection for good-faith forward-looking statements.

- As the government and Financial Conduct Authority (FCA) consider mandatory application of the standards, we expect further consultation on the scope of application. For example, the requirements should not place undue burden for entities and investments that are not under the direct control of the consolidated group, e.g. associates and joint ventures, in addition to the consolidated group's emissions. The scope of a reporting entity for sustainability-related financial disclosures should be aligned with the scope for general purpose financial reporting of that entity.

- It is extremely important to avoid duplication and divergence of requirements — government, regulators and the ISSB should continue to work with global counterparts to minimise the additional burden created by divergence.

Question responses

Proposed amendments to IFRS S1 and IFRS S2 by Technical Advisory Committee

1. **Do you agree or disagree with the UK government's 4 amendments based on the TAC's recommendations? Provide your rationale.**

As strong supporters of the ISSB standards and the international coherence they enable, we welcome the fact that the four amendments do not represent significant divergence from IFRS S1 and IFRS S2. Common adoption of IFRS S1 and IFRS S2 will reduce fragmented disclosure requirements and complexity for many firms, in particular reducing the burden on global financial institutions operating across a large number of markets.

Our responses to each amendment are set out below.

Amendment 1: Removal of transition relief in IFRS S1 that permits delayed reporting in the first year

We recommend that the FCA and government seek further views on this transition relief when they consult on implementing the standards and potential mandatory reporting. This is because the importance of the transition relief depends on the scope of application of any future mandatory reporting requirements.

If government proceeds with removing this transition relief, we recommend that it is only removed provided Amendment 2 is put in place.

There are advantages and disadvantages to the removal of this transition relief, set out below.

Advantages

- The ISSB (and the UK SRS) seek to align non-financial and financial reporting. The alignment of disclosure timeframes is sensible to ensure a connected approach.
- Some firms already provide sustainability disclosures alongside financial disclosures. This expectation would have minimal impact for those firms.
- Requiring entities to report their sustainability disclosures at the same time as their financial statements enhances connectivity, comparability, and usefulness of the information. It also supports assurance readiness and reduces the risk of fragmented reporting cycles.

Disadvantages

- There are operational challenges with producing financed-emissions data for the same reporting period as the financial statements. In practice, there is often a material gap between the first draft, finalisation, and publication of financial statements, leaving insufficient time to calculate financed emissions using year-end data. These challenges are compounded by lags in counterparties' reporting and the time required to complete assurance processes. Current market practice often relies on prior-period positions, which are clearly labelled as such. We support the government's request for the ISSB to confirm that this approach is fully compliant with UK SRS.

- IFRS S1 implementation represents a large capability uplift compared with Taskforce on Climate-related Financial Disclosures (TCFD) implementation, particularly accounting for non-climate reporting.
- Even climate-only reporting under IFRS S1 and S2 represents a capability uplift compared with TCFD - so it is not true that firms are protected from this uplift if they have already implemented TCFD and if Amendment 2 is put in place.
- It is yet to be communicated which companies will be mandated to report under UK SRS, and it is possible that some firms that have never reported against TCFD will be required to report against UK SRS.

Further views

If the government proceeds with removal of this transition relief, we recommend a comply or explain approach to allow firms to build capabilities and capacity to report sustainability related matters under SRS S1. This approach offers proportionality, while promoting accountability and transparency for investors.

Furthermore, the transition relief and reporting expectations should apply at consolidated group level, particularly for financial services firms. For example, pension schemes and asset managers (at fund level) currently benefit from extended timelines for TCFD reporting under FCA rules.

We recommend that the FCA perform a review to ensure all entities within its scope will be able to meet the revised timing requirements under UK SRS.

Amendment 2: Extension of the transition relief in IFRS S1 that permits a "climate first" approach

We support this amendment to prioritise climate-related disclosures, building upon the recommendations of the TCFD. This approach offers a phased and manageable implementation path that balances ambition with practicality. While many firms already have processes in place for climate disclosures, far fewer are prepared for broader non-climate sustainability reporting. Allowing an additional year before non-climate reporting begins will give firms time to build the necessary systems and governance, improving the reliability, comparability, and decision-usefulness of disclosures.

Amendment 3: Removal of the requirement to use the GICS in IFRS S2

We support this amendment. The removal of the GICS requirement allows financial institutions to choose an internationally recognised classification system that they may already use for other regulatory or financial reporting purposes. UK Finance called for similar flexibility in its response to the ISSB's proposed amendments to IFRS S2.

This flexibility is particularly important given that many firms use alternative classification systems such as Standard Industrial Classification (SIC) codes, Nomenclature of Economic Activities (NACE), or the North American Industry Classification System (NAICS); retaining the ability to use these existing systems will help avoid unnecessary reclassification costs.

Amendment 4: Removal of the "effective date" clauses in IFRS S1 and IFRS S2 (with PIC consideration).

We broadly support this amendment. The amended clause "Any effective date for application of this Standard will be set out in the relevant legislation or regulation" is sufficient to cover the removal of the effective date clauses.

However, the omission of any effective date provides uncertainty to businesses in planning for compliance. Although the amendment states that "the timetable for applying the standards depends on subsequent rules or regulations put in place by government or the FCA", we ask regulators or government to provide some indication of effective date to be proposed, albeit subject to change based on the above.

Practicality of calculating financed emissions for given reporting period

2. **Industry practice is to use the balance sheet for loans and investments from a previous period to calculate financed emissions (where it is impracticable to provide the information for the current reporting period end). Do you agree or disagree that this results in decision-useful information, and what additional guidance might be useful?**

We agree. Financed emissions disclosures will be prepared using the most recent available client or value-chain emissions data, which may result in a mismatch of current balance sheet data and emissions data of up to 12 months in arrears.

We advocate for the explicit acceptance of prior-period data in the estimation of financed emissions. This is particularly important for firms that already estimate financed emissions using prior period customer emissions and financial data, which is in line with industry best practice from standards setters like the Partnership for Carbon Accounting Financials (PCAF).

While this means that there may be a lag in financed emissions reporting, it is necessary to accept this delay to ensure high-quality reporting. This approach still allows for long-term analysis of emissions trends. Such reporting can be accompanied by narrative information or qualitative data to clarify the limitations of the quantitative data.

By contrast, firms note updating the loan value to the latest date and using emissions and financial data from a previous period, or relying on latest available estimates (as opposed to assured data within clients' financial statements), will result in less accurate financed emissions disclosure.

As many industry peers are aligned in this approach the data remains decision useful. If there were significant deviations from this approach, with some using current data and other prior year data, the decision usefulness would be reduced.

We recommend:

- government should provide relief in SRS S1 and S2 to permit financial institutions to calculate financed emissions estimates based on the latest available customer emissions data, which often reflects prior period with a 12-month lag;
- government should retain the flexibility in UK SRS to enable firms to calculate financed emissions in the way that they believe is most decision-useful. Approaches currently vary across firms due to differences in business models, client exposures or data availability; and
- per a recommendation from the TAC, while this approach does not appear to be compliant with IFRS S2 at present, government and the TAC should encourage the ISSB to clarify whether this is the case.

3. For entities subject to financed disclosure requirements, what is the impact of revising comparative data for financed emissions calculations and what additional guidance might be useful?

Overall, revising comparative data can play a positive role in improving disclosures, but is challenging and must be balanced against the need to provide decision-useful and clear information.

Where material, updating comparative data ensures that disclosures reflect the most accurate and relevant information, supporting effective climate risk assessment and target setting. Revising prior period data for material changes also helps maintain consistency in year-on-year comparisons, which is essential for tracking progress against climate targets and for meaningful engagement with investors, regulators, and other stakeholders.

However, care should be taken as continual restatement of comparatives makes it more difficult for users to see trends and potentially damages trust in reporting. Clear guidance is needed.

Revisions to comparative data should be made only when new information or methodological developments are material to users of the disclosures. This approach helps ensure that financial and sustainability reporting remains clear and decision-useful and avoids unnecessary complexity or confusion for stakeholders. Immaterial changes, if revised frequently, risk obscuring the underlying trends and may detract from the overall transparency of reporting.

Article B50 of the UK SRS (revision of comparatives) applies to the period used for estimation of metrics being disclosed (most recent available data), and not to subsequent period developments. Where new information emerges after the estimation period, it should only trigger a restatement of comparatives if it provides evidence of materially different circumstances that existed during the original estimation period. This approach ensures that financed emissions estimates remain consistent with the data available at the time of estimation, avoids unnecessary complexity, and supports transparency without undermining comparability or trend visibility.

As we mentioned in our joint response to the TAC call for evidence: due to climate science developing at a rapid rate, along with data and capabilities, as well as the wider complexities of calculating financed emissions data, updates to estimates should be permitted without the constraint of restating comparatives. This will encourage firms to adopt the new science, use the data as it becomes available and refresh disclosures to remain relevant and at pace with industry progress. We recognise that restating a comparative period can be impracticable, and the ISSB's approach to require disclosure of that fact when data is not available to restate comparatives is sensible.

The requirement to restate prior emissions disclosures remains a considerable undertaking. Impacts include:

a) **Resource capacity:** Resource is required to calculate double emissions every reporting cycle (i.e. current reporting year and prior reporting year restatement) as a minimum. The need to update, validate, and document multiple model versions places additional demands and costs on technical teams, auditors, and governance processes. This can divert resources from forward-looking improvements and innovation in sustainability reporting.

b) **Credibility:** There is a risk that investors will feel unsure where decisions are made based on a previous report, only to see that in the next report the prior year data has been revised.

c) **Misalignment with financial reporting:** Restating prior-year estimates due to new information is not aligned with the approach taken in financial reporting, where estimates are not typically revised retrospectively.

d) **Operational and reporting challenges:** A practical consideration is the operational complexity and resource burden associated with maintaining multiple historical versions of financed emissions models and methodologies. As methodologies evolve (whether due to regulatory updates, advances in data quality, or industry best practices) entities may be required to retrospectively apply new approaches to prior reporting periods to revise comparative data. Maintaining and operating several versions of models in parallel can introduce significant challenges.

e) **System complexity:** Financial institutions must ensure that legacy models, data inputs, and calculation logic are preserved and accessible for each reporting period. This increases the complexity and cost of data management and IT systems and may require additional controls to prevent errors or inconsistencies.

f) **Stakeholder communication:** Explaining the rationale for revisions and the impact of methodological changes to stakeholders can be challenging, particularly if revisions are frequent or not clearly material.

We would welcome confirmation of what government or regulators consider sufficient context for reporting entities to provide. We suggest, for example, that firms should only need to state that each reporting cycle, the emissions detail provided is based on the best available data, and to note where calculations methodologies have changed.

Some firms have steered away from the term "restatement" as in accounting terms this indicates a material error that needs to be corrected. Where this is not the case for financed emissions where data quality can impact the prior year and needs to be updated for more accurate comparison, we would prefer to use the term "recalculation".

4. **Do you have any other comments on the TAC's final report and recommendations? Include any supporting evidence.**

No response.

Proposed amendments to IFRS S1 and IFRS S2 by Policy and Implementation Committee

5. **Do you agree or disagree that 'shall' should be amended to 'may' in "shall refer to and consider the applicability of… [SASB materials]"? Provide your rationale, including any views you have on the timing of the review of the amendment.**

We agree. Changing from "shall" to "may", reduces the prescriptiveness and means firms can use their discretion when applying the standard. This change is appropriate given that the SASB materials received less scrutiny through the ISSB's decision-making processes than the wider standards. The ISSB is still in the process of updating the SASB standards for international use, underpinning the importance of making this provision optional.

Some firms will also have a requirement to report under the draft European Sustainability Standards (ESRS), currently under consultation in the EU. This amendment increases interoperability with ESRS. The amended ESRS also state that undertakings ''may consider'' the SASB standards if including entity-specific disclosure[1].

We recommend that all uses of "shall", when referring to SASB materials be amended to "may," including in S2 B65(d), which still uses "shall".

This change also helps to avoid an excessive burden of proof for auditors, which would arise if SASB materials were mandated.

We recommend the amendment be reviewed after the ISSB has completed its project to enhance and internationalise the SASB standards, and after a period of time to allow industry

[1] See EFRAG, Amended ESRS Exposure Draft July 2025 Basis for Conclusions, p.19.

adoption and practices to be developed. This will ensure that any future requirements are based on materials that have undergone appropriate due process and are relevant to the UK context.

6. **Do you agree or disagree with the proposal to link the reporting periods in which a transition relief can be used to the date of any reporting requirements coming into force? Provide your rationale.**

We agree. Linking transition relief to the effective date of requirements allows for orderly implementation and will avoid penalising early adopters. This supports a phased adoption and will enhance the quality of initial disclosures.

Requirements on carbon credits in IFRS S2

7. **Explain your views on:**

    a. **whether disclosure of the purchase and use of carbon credits in the current period would be useful information**

We do not support introducing additional disclosure requirements on the purchase and use of carbon credits in the current period. We agree with the Policy Implementation Committee's (PIC's) conclusion that the UK should apply the requirements as they are listed in IFRS S2. This will be most decision-useful for investors. Under IFRS S2, entities are required to disclose their planned reliance on carbon credits in achieving their net emissions reduction targets, including the type of credits and frameworks used. These requirements already provide investors with the necessary information, without introducing backward-looking data that may be inconsistent, costly to produce, and of limited analytical value.

A minority view expressed support for disclosure of carbon credits in the current period, as carbon credit use is not only a future consideration but also relevant for the present, and that transparent reporting of credit type, quality and verification for the current reporting period is essential to stakeholder confidence and comparability. The view expressed that this would be a minor change from the ISSB text and represent a clarification of the ISSB's intent rather than a change to the spirit of the standard.

    b. **what the barriers to companies being able to produce this information are (including the availability of the information required for reporting and the associated costs)**

As carbon credits are often managed by third-party entities, companies are often reliant on these third parties to provide the relevant information for disclosures. This can create difficulties in accessing the evidence of the use of carbon credits in a timely manner. Additionally, most agreements in the voluntary carbon market are now offtake agreements, where buyers commit in advance to purchase a specified volume of carbon credits, often including a prepayment where capital is provided upfront before credit delivery. This can result in a time lag between when agreements are signed/ payments are made, and when credits are delivered and/or used, adding complexity to reporting. For ease of reporting for offtake agreements, disclosure would be most sensible once the carbon credit has been delivered to a client for use – this could be clarified in application guidance.

Some firms already disclose the use of carbon credits to offset their operational footprint; therefore they can see no barriers to this.

c. whether (and how) any further disclosures would be useful

Beyond aligning to Voluntary Carbon Market Integrity Initiative (VCMI) requirements, it would be useful for companies to disclose which third party was used to verify the carbon credits when the project was being developed, to demonstrate the credibility and integrity of the carbon credits purchased. Furthermore, disclosing the use of carbon credits would be useful as the type of carbon credit used could affect the credibility of a claim – this is also beyond VCMI current requirements. We also encourage alignment with ISSB transition plan guidance and emerging SBTi guidance (which is currently under consultation) to help determine and disclose the appropriate use of carbon credits within a transition strategy.

Further disclosures should be recommended following the outcome of the Department for Energy Security and Net Zero (DESNZ) paper on how "Principles for Voluntary Carbon and Nature Market (VCNM) Integrity" should be implemented.

Consideration of ongoing work by the ISSB

8. What are your views on the potential amendments to IFRS S2 proposed by the ISSB at this time?

We broadly support them. The proposed changes to IFRS S2 improve the usefulness, transparency and comparability of the standards while reducing unnecessary burden. As set out in UK Finance's response to the ISSB, UK Finance members welcome the additional clarity on measurement and disclosure of Scope 3 Category 15; however, we do not support the proposal to disclose information about the magnitude of derivatives and excluded financial activities.

We support the ISSB clarification and temporary exemption from facilitated emissions disclosures because this provides a relief for disclosure where there is currently no established best practice.

Some firms wished to continue encouraging voluntary disclosure of facilitated emissions. These firms also oppose the permanent exemption of facilitated emissions disclosures. They argue that permanently excluding certain activities — such as derivatives or facilitated transactions — from emissions disclosures, while continuing to include facilitation products in sustainable finance metrics, could result in an unbalanced portrayal of the same business activities. This may lead to disclosures that emphasise positive impacts without reflecting associated emissions, potentially undermining stakeholder trust or raising greenwashing concerns. They would support voluntary disclosure where data and methodologies permit, and a reassessment of the exemption in future, driven by assessment of voluntary disclosures, industry feedback and evidence of investor use and materiality.

Most UK Finance members surveyed support introducing flexibility in the use of GICS and the other proposed amendments to the jurisdictional relief from using the GHG Protocol Corporate Standard and on the applicability of the jurisdictional relief for global warming potential (GWP) values. Our response to the ISSB raised concerns and considerations for the ISSB to monitor while implementing those reliefs.

Overall, these firms argued that entities should be permitted to select the most appropriate classification system for their organisation, rather than being required to use GICS. This flexibility ensures that disclosures remain relevant and reflect the way firms organise and report their activities.

However, a minority view expressed that ISSB as a global baseline standard aims to promote the use of consistent industry classification systems, and the UK SRS should avoid making amendments to the ISSB standards that actively undermine that consistency. Under this position, firms state that the UK should not adopt the language 'most appropriate' as this would not support achievement of a globally consistent approach.

9. Do you have any other comments (including any supporting evidence you would like to share) on the UK government's 2 amendments based on the PIC's conclusions? Explain them here.

As noted in paragraph 1.7 of the consultation, DBT's proposals focus on updating the structure of the Annual Report to integrate sustainability requirements and avoid the use of sustainability-related supplements. Whilst the consultation does not explicitly state that SRS requirements will need specifically to be disclosed in the Annual Report, it is our understanding that the location of reporting would be prescribed through the FCA Listing Rules and UK Companies Act, when the UK SRS becomes mandatory. It is critical that the FCA and DBT consult further on the location of mandatory reporting when they seek views on implementing the standards.

We would welcome a target effective date for implementation to enable forward planning.

We would welcome the development of digital reporting infrastructure, including a UK SRS digital taxonomy aligned with those developed for ISSB and ESRS to improve efficiency, comparability, and auditability. This should also support greater data availability across supply chains for scope 3 reporting – helping to address the current data challenges, including cost of access for smaller entities. This should be made more prominent and directive, seeking allowance to supplement ARA disclosures where information does not meet the threshold to be material to investors, but may be of value to other audiences. This is important for firms that choose to supplement their ARA's with additional climate transition plan information - for example to show technical/scientific basis of their alignment to TPT.

10. Overall, do you agree that the UK government should endorse the standards, subject to the amendments described? Explain any other amendments that you judge to be necessary for endorsement and why.

The UK government should endorse the standards with the amendments, subject to the changes set out above.

UK Finance and AFME have been long-standing advocates for the ISSB standards, with many firms in our membership having participated in the development of the standards as well as engaging in direct feedback through the ISSB and TAC processes.

To maximise international interoperability, supporting the UK's ambition to be a green finance hub and helping to maintain the UK's status as a preeminent global financial centre, further amendments should be avoided. While there are costs associated with implementation, these are outweighed by the benefits.

Understanding the costs and benefits

11. Explain the direct and indirect benefits that you are expecting to result from the use of UK SRS S1 and UK SRS S2 (which may or may not be included in paragraphs 4.2 to 4.5). Include an assessment of those benefits which are additional to benefits arising from current reporting practices.

In 2023, UK Finance set out its views on the use cases for ISSB adoption in the UK and argued these likely outweigh the costs of adoption.

Overall, the primary benefit is international alignment with IFRS Sustainability Disclosure Standards, which can support comparability for global investors, though divergence with the EU's Corporate Sustainability Reporting Directive (CSRD) will remain. The IFRS' robust materiality filter helps ensure costs are proportionate — information is only disclosed where it is material to the entity and its operating environment.

In our 2023 paper, we also noted that adoption would:

1. promote transparent capital markets that better reflect the cost of sustainability-related risk, and support transition and adaptation efforts;
2. contribute to long-term financial stability by revealing information that will enable informed decision-making and management of sustainability-related risks;
3. avoid costs and reduce inefficiencies of manual data collection and analysis of sustainability disclosures, through greater consistency, comparability and verifiability of information; and
4. help generate higher quality information from companies (dependent on FCA rules) that are in the value chain of a reporting company, which in turn can have a positive

effect on areas such as governance, strategy, access to capital, cost of capital, reputation, and employee and stakeholder engagement.

Reporting against UK SRS avoids the need to implement an approach that differs from the global ISSB standards, which would add another regime to the existing complex landscape, adding to compliance costs for firms dealing with the EU's Corporate Sustainability Reporting Directive, US state-based disclosure requirements, and ISSB disclosure in third countries.

To supplement the principles-based argument for ISSB adoption, and to inform future cost-benefit analyses, UK Finance have set out four use cases where we believe the application of the ISSB standards would offer net savings relative to alternative UK approaches (particularly assuming a scenario in which the UK leaves a vacuum or adopts an alternative approach).

Use case 1: Cost savings associated with wide application of the standards, for both financial services firms and their clients

We argue for wide, proportionate application of the standards, since it is only with the data reported by a broad range of actors across the economy that financial services firms will be able to access data on their sustainability exposures with accuracy.

To minimise costs, reporting requirements would ideally cover large, mid-sized and small firms, while acknowledging that reporting requirements for small firms need to be proportionate to their size and capabilities (such proportionality can be operationalised by introducing longer phase-in times or "comply or explain" provisions rather than carve-outs, or perhaps, simplified disclosures for SMEs).

Without this wide application, firms will need to turn to estimates or external data providers to inform their disclosures. This will not only reduce the accuracy of firms' reporting but will also incur costs.

A lack of harmonised standards creates an unlevel playing field. We have heard evidence of banks, due to the requirements imposed by third countries or their investors, being compelled to ask their clients to report sustainability exposures across different reporting standards. This could result in a barrier to competition, with customers having to recollect or resubmit data to meet different needs with the associated costs of changing reporting reducing the propensity to change bank. These implications will be significantly exacerbated for SMEs who have more limited resources to cope with this unnecessary burden.

Use case 2: Cost savings for firms adhering to other international regimes

Reporting requirements are being rolled out across multiple jurisdictions, particularly in the EU (via the CSRD and the ESRS) and in a variety of jurisdictions implementing ISSB standards.

In a 2023 informal sample of UK Finance members, we found that some 90% of responding members, a mix of large, mid-sized and smaller firms (that would be subject to UK sustainability disclosure rules) would already be required to disclose under one or more of these other international regimes, either through legal requirements in those jurisdictions or the expectations set by investors, regulators and local market practice.

A decision to implement an approach that differs from the global ISSB standards would add another regime to the existing complex landscape, adding to compliance costs for firms dealing with CSRD and ISSB disclosure in third countries.

All sampled firms, other than one, told us that this could mean a need for additional staffing. According to respondents, the core reason for this additional resourcing requirement is that the loss of harmonised sustainability standards would result in reduced economies of scale compared with a scenario in which the ISSB standards are required.

Additional non-staffing costs would also be generated by the need to utilise different systems and adjust processes for internal and external assurance, senior management engagement and review across the whole organisation.

Use case 3: Cost savings considering existing sunk costs

Many firms, particularly large and mid-sized firms, have already allocated significant resourcing to prepare for disclosure against the ISSB standards considering previous statements made by the government on the planned implementation of those standards.

Of the firms sampled in 2023, this was true for approximately two-thirds. The firms told us that this resourcing included recruitment of specialist accounting and sustainability professionals with understanding of the reporting requirements; training and development to build capability among existing and new staff; and structuring teams, governance and reporting lines to enable the flow of reporting within the organisation.

A decision not to implement the ISSB standards widely for use in the UK would mean that much of these costs were misplaced, and that additional costs would be incurred to recruit and retrain staff and make reporting, risk management system and related changes.

Firms have also engaged closely on the development of the ISSB standards, including dedicating time and resources to responding and contributing to the ISSB's and UK Endorsement Board's consultation on ISSB Exposure Drafts in mid-2022; supporting the development of methodologies on which the ISSB standards were based (e.g. Sustainability Accounting Standards Board standards); and iteratively commenting on and providing expert input into the standards at other junctures in their development. This commitment has amounted to expenditure of several millions of pounds over an extended period for both larger and smaller firms.

If the UK chooses to adopt a different reporting standard or a sub-set of the ISSB standards, firms will need to dedicate similar resourcing to the development of that standard, through consultation, engagement with standards-setters and testing. This is a highly resource-intensive project which will add to firm costs and is inadvisable at a time when the implementation of such standards for their stated objectives is urgent.

Use case 4: Lack of benefits from departing from international and global standards

A decision by the UK government to loosen its association with the ISSB standards by choosing not to implement them or to implement with significant divergences would reduce our ability to influence global standards over the long run. The ISSB currently looks to the UK as a leader. An inability to influence the standards will be a significant disadvantage to UK firms, which will wish to continually iterate and engage the development of the standards as they are rolled out internationally.

It is also important to note that many investors already require firms to make sustainability disclosures; adoption of the ISSB standards would help to homogenise this reporting and expectations across the market.

12. **Explain the direct and indirect costs that you are expecting to result from the use of UK SRS S1 and UK SRS S2 (which may or may not be included in paragraphs 4.7 to 4.8). Include an assessment of those costs which are additional to costs arising from existing reporting practices.**

The UK Finance response to DBT's non-financial reporting call for evidence laid out survey-based data on costs and benefits associated with ISSB implementation. Overall, we reiterate our view that full endorsement and implementation of the ISSB standards in the UK will incur lower costs relative to alternative UK approaches which are less interoperable with international equivalents.

Some firms note adopting a comply-only approach, rather than comply-or-explain, would substantially increase costs due to capability requirements needed to comply and potentially assurance disclosures. Costs will be substantial where UK SRS S1 and S2 extend beyond current reporting practices. This includes enhancements to materiality assessment processes, metric calculation models, systems and data infrastructure and sourcing, risk management and scenario analysis capabilities, climate transition planning, integration of sustainability into strategy and financial planning, and controls and assurance for non-climate sustainability topics.

Costs could be limited depending on how the standards are incorporated into regulation/legislation, especially if SRS replaces TCFD on a like-for-like basis including comply-or-explain provisions.

The following is a non-exhaustive list of costs which could be incurred:

Direct costs

- **Systems and data infrastructure:** investment will be required to upgrade systems and processes to capture and report on a broader set of sustainability topics, especially those introduced under S1 (e.g. nature, human capital, and value chain impacts).

- **People and training:** additional resources will be needed to build internal capability across new thematic areas, including training, recruitment and upskilling of teams involved in sustainability reporting, risk and finance. Financial services firms will require dedicated teams to manage, prepare and coordinate this work. This presents resource demands and challenges, with a direct cost impact, to ensure there is capability to deliver. This will take away resources from elsewhere, including from companies' efforts to support the sustainable transition.
- **External assurance:** as expectations for limited assurance of sustainability disclosures grow, assurance costs are expected to increase, particularly for disclosures that go beyond climate-related metrics.
- **Legal costs:** implementation of the UK SRS may incur legal costs.
  - Within the organisation (internal legal costs):
    - to assess and mitigate litigation and greenwashing risks, particularly in relation to forward–looking disclosures and scenario planning;
    - to develop appropriate cautionary statements to mitigate or reduce liability exposure; and
    - to support interpretation of evolving UK SRS requirements and compliance.
  - In addition, implementation of the UK SRS may incur legal costs for external counsel engagement (external legal costs):
    - to manage litigation risk, including potential shareholder or NGO actions based on perceived misstatements or exaggerated sustainability claims;
    - to manage interoperability challenges between UK SRS and other international sustainability disclosure frameworks (such as CSRD); and
    - potential revision of contractual terms to incorporate UK SRS-aligned sustainability clauses.

Indirect costs

- **Value chain engagement:** collecting reliable data from suppliers, counterparties, and investees - especially for Scope 3 and financed emissions - will require sustained engagement and may impose indirect costs on partners.
- **Model governance and maintenance:** maintaining multiple versions of financed emissions models to enable retrospective revisions introduces operational complexity and long-term resource commitments.
- **Disclosure governance:** the increased volume and granularity of disclosures will require enhanced internal governance, review, and coordination across business units to ensure consistency and alignment with financial reporting.

Some of the current reporting challenges include competing reporting requirements (e.g. diversity and inclusion table requirements) as well as the volume and lack of alignment between requirements (e.g. environmental reporting requirements). See our response to Q15 on suggestions to avoid duplication.

13. What are your views on the merits of economically-significant private companies reporting against UK SRS? Explain your assessment of direct and indirect benefits and costs.

There will be costs associated with reporting against UK SRS, however as set out above, for companies already subject to TCFD-aligned reporting, we are of the opinion that the benefits outweigh associated costs**.** Transparency and long-term financial stability are key benefits. As detailed in question 12, using UK SRS S1 and S2 will allow firms to avoid costs which would be incurred were it not for the adoption. For example, without the wide application of the standards, firms will be more reliant on estimates and/or external data suppliers to inform their disclosures.

Nonetheless, questions remain about the intended scope and definition of "economically significant private entities". We suggest that a scope and definition should seek opportunities for simplification and rationalisation (see our response to Q15).

Local subsidiaries of multinational parents: We recommend that the FCA and the government perform a review to understand how subsidiaries of multinational parent entities will be impacted. The costs and benefits of a standalone subsidiary report should be carefully considered if a parent entity is already reporting under an equivalent or more stringent regime, such as the EU's CSRD. This is further explained in question 16.

We recommend permitting the UK entities to meet their reporting obligation by reference to consolidated reporting by their parent institution, including those that are non-UK headquartered. Generally, we consider preparing sustainability-related disclosures at the same entity level as for financial statements, or at which strategy is set and sustainability risks and opportunities are managed and governed, to be the preferred option, as this will aid in the identification of financially material information. Sustainability-related strategies, targets and metrics for large and multinational firms are typically set at group-level and in the case of non-UK groups, at a consolidated ultimate parent level. Therefore, isolated entity-level reporting may have limited value as it may not align with how the strategy is set and risks and opportunities are managed, monitored and governed within the organisation. Internal entity level targets and metrics may only represent that individual entity's contributions towards group-level targets; transition planning would not generally be undertaken on an individual entity basis and additionally present a reporting burden as well as potentially duplicative and/or diverging reporting.

Large private companies: Some members support use of UK SRS by significant private companies. This would maintain the scope of companies already subject to mandatory climate-related disclosures under UK listing rules and UK Companies Act requirements. The main benefits include greater comparability between public and private entities, stronger internal risk management, and improved access to sustainable finance. However, implementation should be proportionate. Private companies may face capability and resource challenges, particularly in areas like value chain emissions and non-climate disclosures. We would welcome appropriate guidance and phased implementation for those companies.

14. **For non-listed entities, what are your views on your readiness to report against UK SRS – particularly UK SRS S1, which covers non-climate reporting? Explain whether you require additional resources to report on UK SRS, beyond resources used for existing climate or sustainability-related reporting, and what these resources would be.**

There remain many challenges and uplifts required to fulfil the expectations in the UK SRS, mainly for any firms' ability to collate high quality emissions data. We note that some of the issues we include below apply to all companies, included listed entities (e.g. scope 3 emissions reporting).

Scope 3 emissions reporting remains a challenge across the economy, particularly for financial services firms which have complex financed emissions chains and wider value chains. Firms will expect to rely more heavily on estimates in the early years of compliance, although there will be improvements over time if data availability from other sectors increases. Robust and early reporting of Scope 1, 2 and 3 emissions by non-financial corporates will be needed to support financial services firms' disclosures. Scope 3 data challenges are especially relevant for some sectors and asset classes, including emissions associated with capital markets activities, invoice finance and asset-based lending, and facilitated emissions (for example PCAF methodologies explicitly state that they do not cover certain financial products).

Scope 3 financed emissions calculation at the subsidiary level is also complicated by the fact that data may only be available at the consolidated level of a counterparty.

Reporting emissions associated with small- and medium-sized enterprises (SMEs) is a particularly acute challenge: banks are reliant on data from SMEs given their significant exposure to SMEs as customers, but SMEs are often faced with severe reporting constraints arising from limited capability and resourcing.

We welcome the ISSB's relief measure, allowing a one-year transitional period before firms must disclose Scope 3 emissions data. Nevertheless, this may still be insufficient to resolve some of the outstanding challenges above. A few possible solutions may be to:

- offer targeted and time-limited reliefs/phase-in periods for Scope 3 emissions reporting among asset classes where industry guidance is not yet in place or comply or explain provisions to help firms adhere to reporting requirements in a flexible manner for a time-limited period. For example, in the EU, the European Commission has proposed transitional reliefs which extend phase-in periods for reporting Scope 3 emissions to the first three years of reporting as a simplification measure under the 'omnibus' simplification package[2];

- allow flexible reporting timelines for value chain GHG emissions in accordance with IFRS S2 paragraph 29(a)-B19. The ISSB standards grant entities permission to use information for reporting periods that are different from their own reporting period, if the entities in its value chains have misaligned reporting periods. The reporting flexibility outlined under this provision is crucial for firms disclosing Scope 3 emissions and we ask that it is fully adopted as part of any UK sustainability standard;
- develop standardised templates and tools for data collection and reporting, tailored to SME capabilities and sector-specific needs;
- offer clear, practical guidance on key reporting concepts (e.g. materiality, emissions boundaries, data estimation) to build confidence and consistency; and capacity-building programmes including training, webinars, and toolkits to upskill SME leadership and operational teams;
- consider digital platforms or registries to streamline data sharing between SMEs and reporting entities, reducing duplication and manual effort.

Some firms noted it is important that a voluntary regime be introduced promptly to support SME's that voluntarily disclose on sustainability topics, and indirectly benefiting other companies which will rely on SME data for their own disclosures. Collating robust data is also a challenge for firms' clients operating in countries where reporting is less well advanced (e.g. **emerging markets and developing economies**).

Many **non-emissions metrics** needed for the assessment of both physical and transition climate-related risk will also be complex to collate. There is a need for further guidance to build a shared understanding of some metrics - for example, definitions of climate-aligned opportunities; or measures for reporting on the amount or percentage of a firm's assets aligned with climate-related opportunities.

15. What (if any) would be the opportunities to simplify or rationalise existing UK climate-related disclosures requirements, including emissions reporting, if economically-significant private companies are required to disclose against UK SRS? Consider how duplication in reporting can be avoided.

[2] See European Commission, European Sustainability Reporting Standards 'quick-fix' delegated act of 11 July 2025: summary of modifications, p.1.

Responses to this question will support the government's review of the UK's non-financial reporting framework.

The introduction of the UK SRS presents an opportunity to consolidate existing UK reporting under a single standard, using UK SRS S1 to provide a framework for companies to assess material topics across Environmental, Social and Governance (ESG) matters. This will assist companies to prioritise key areas of focus and align their reporting and resources to material issues.

Alignment of reporting to material topics not only provides decision-useful information for investors but offers the opportunity to streamline existing sustainability reporting requirements, including FCA listing rules covering (i) TCFD requirements, and (ii) diversity and inclusion disclosures for boards and executive management.

Other relevant regulations include the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, Section 172 of the Companies Act 2006, the FCA ESG sourcebook requiring TCFD reporting for in-scope entities and funds, as well as the Streamlined Energy and Carbon Reporting (SECR), covering energy use across a firm's own operations.

Currently, SECR requires qualifying companies to disclose Scope 1 and Scope 2 emissions, along with an intensity metric on energy efficiency measures. The Companies Act 2006, on the other hand, requires large private companies to report on climate-related financial risks and opportunities, in line with TCFD recommendations. Also, the proposed UK SRS would require reporting of Scope 1, 2 and 3 emissions, and broader climate-related information including metrics and targets, aligned with international standards.

The UK SRS requires disclosure on all sustainability material topics. This should be seen as an opportunity to consolidate the non-financial reporting requirements contained within sections 414CA and section 414CB of the Companies Act 2006 which aim to meet similar objectives relating to a company's sustainability impacts, policies, due diligence and outcomes.

Without alignment, there is a risk of:

- double reporting of Scope 1 and 2 emissions using similar, but potential non-identical methodologies;
- confusion where definitions, organisational boundaries, or emission factors differ; and
- increased administrative burden for companies that fall under both regimes.

There is further opportunity for simplification and rationalisation of existing frameworks, particularly if UK SRS were to be aligned with the SECR regime.

For consistent enforcement, "economically significant" must be precisely defined (see also our response to Q13). We recommend:

- Quantitative thresholds (e.g., turnover, total assets, number of employees) aligned where possible with existing Companies Act size definitions; and

- Provision of guidance and worked examples on definition of "entity's activities include asset management, commercial banking or insurance" to aid self-assessment.

16. Explain which other sustainability-related disclosure requirements your organisation currently reports against or expects to report against. How does this affect your assessment of associated costs and benefits for any UK SRS reporting?

Many UK Finance members currently report against the following frameworks or requirements:

- TCFD
- SECR
- Companies Act
- Gender Pay Gap Report
- Modern Slavery Statement.

The impact of the following consultations is still to be defined, but could require additional reporting:

- The Bank of England's consultation paper (CP10/25) on Enhancing banks' and insurers' approaches to managing climate-related risks; and
- Equality (Race & Disability) Bill: Pay Gaps

Some firms are also directly or indirectly required to report under the following:

- CSRD and (eventually) the Corporate Sustainability Due Diligence Directive (CSDDD) – both impacted by the EU's Omnibus simplification package
- EBA ESG Pillar 3 and EU Taxonomy;
- California Climate Corporate Data Accountability Act (SB 253); and
- California Climate-Related Financial Risk Act (SB 261).

Many members also give significant resources to non-regulatory ESG reporting standards such as CDP or UN Global Compact.

Promoting interoperability

Some firms operating in the UK are currently, or will be, obliged to report under the EU's CSRD. The UK government and the ISSB should continue to work with the European Commission and European Financial Reporting Advisory Group (EFRAG) to enhance interoperability between the ISSB standards and ESRS. The EU is currently amending the ESRS to, among other things, enhance interoperability with ISSB standards. Any amendments to improve interoperability with ISSB standards should translate into reduced costs for UK entities reporting under both ISSB and ESRS standards if the UK maintains the common adoption of IFRS S1 and S2 as set out above.

The government should also consider the potential to work with other relevant regulatory bodies including the California Air Resources Board (CARB) to ensure alignment between major international disclosure regimes.

If the above climate disclosures (e.g. TCFD, SECR etc.) can be consolidated into UK SRS (as mentioned above) this would reduce the cost of sustainability reporting in general. We suggest introducing equivalence or substituted compliance for multinational entities to avoid duplicative reporting under multiple frameworks (e.g., ISSB and ESRS).

17. What support from UK government or regulators may be useful for SMEs and what support is already available within the market? Explain which costs could be mitigated and/or which benefits could be realised through this support.

Financial services companies use sustainability data from SME customers to inform their own reporting, support client engagement on sustainability, product development and marketing, and in implementing their own green commitments. However, we recognise the specific challenges that SMEs face when asked to report this information.

Carbon emissions reporting

For large firms to fully disclose their emissions, they often need access to SME emissions data: large corporates may request such information from SMEs in their supply chain, while commercial lenders may seek it from their clients. This means the burden of disclosures gets passed on partially to small businesses, even when they are applied only to larger ones. Meanwhile, SMEs often face constraints arising from limited capability and resourcing.

There is no standardised format for SME disclosures, leading to at least two challenges:

- For the SME: companies are often asked for the same information in different formats by different stakeholders (e.g. their lender, their vendor) which means added administration burden; and
- For the user: companies end up reporting in inconsistent ways, which makes it challenging and inefficient to compare emissions between entities.

Transition plan reporting

Given that SMEs make up a large portion of the UK economy and supply chains, a full assessment of climate risks, opportunities and strategies within the lending portfolios of banks relies on adequate SME disclosure. Transition planning can also encourage SMEs to consider their business resilience for climate change.

Nevertheless, transition plan reporting can place a disproportionate burden on SMEs given limited resourcing. Specific support and guidance should be provided to SMEs for transition planning, including ability to use third-party providers, specific comms and training, and standardised requirements and methodologies including templates.

Non-emissions metrics

Many non-emissions metrics needed for the assessment of physical and transition climate risk will be complex to collate. There is a need for further guidance to build a shared understanding of some metrics -for example, measures for reporting on nature-related risk. Support to address these challenges will become increasingly important as non-climate reporting grows.

Mitigating these challenges

Some lenders use third-party data-providers to access proxy data rather than requesting information directly from clients. This reduces burden on SMEs, but the industry is vast, non-standardised, and produces significantly different results from tool to tool. In many cases, measurement boundaries and data collection methodologies are inconsistent between tools, and some tools do not conduct data validation.

SMEs should be encouraged to provide voluntary disclosures across all material sustainability matters using streamlined standards, templates and guidance.

Several initiatives and private data providers offer solutions to streamline access to SME data. These include:

- Net-Zero Data Public Utility (NZDPU), an open, free, and centralised data repository that would enable access to climate transition-related data;
- ESGenome, a digital disclosure portal for companies under the Monetary Authority of Singapore (MAS), to report ESG data in a comparable format;
- Project Perseus, a multi-sector collaboration seeking to streamline reporting processes by providing automated access to energy data;
- private providers such as Ciendos, which uses AI-enabled data scraping and sectoral proxies to build databases of SME sustainability performance; and
- Bankers for Net Zero and Broadway Initiative proposal for a UK SME voluntary emissions standard.

Some of these will take time to fully develop, but improved access is accelerating. While these solutions develop, we have recommended that government and regulators provide targeted reliefs to minimise burden on SMEs:

- support SMEs which often face severe reporting constraints arising from limited capability and resourcing. Ensuring that any reporting guidance is simple, easy to understand and provides specific, proportionate actions for SMEs to take would be helpful;

- offer targeted reporting reliefs for firms to lower the risk of added burden for SMEs, including time-limited phase-in periods for "Scope 3" (value chain) emissions reporting requirements; and "comply or explain" provisions which give firms space to explain where they are unable to fulfil requirements;
- take account of specific features of businesses, such as size and sector, when setting transition planning requirements; and
- give backing to one or more calculators/data collection methods, which would help streamline the reporting process for financial services firms and their suppliers/customers.

18. Explain your assessment of the legal implications of using UK SRS and your assessment of the existing provisions in section 463 of the Companies Act.

There are clear legal risks in disclosing forward looking information, and in reliance on third party data, particularly in an area where methodologies are changing and there are challenges with data accuracy or availability. Additional legal risks may arise in relation to forward-looking statements, even if correct today, as statements may become inaccurate, or actions may need to change, particularly given the lack of available data and agreed upon methodology for assessing climate-related risks.

Section 463 of the Companies Act 2006 provides specific protections for directors by allowing them to avoid liability for false or misleading statements if they can demonstrate that the statement was made honestly, in good faith and reasonably. If a claim is made against a director regarding forward-looking statement, the burden falls on the director to prove that they acted honestly, in good faith and reasonably.

Therefore, even though there is some protection for directors for forward-looking statements under the Companies Act 2006 (with the burden of proof falling on the director), there is currently no express statutory safe harbour provision applicable to forward-looking sustainability-related statements.

The absence of a statutory safe harbour may result in legal uncertainty and a reluctance among companies to disclose forward-looking sustainability information or using overly cautious or vague reporting thereby discouraging transparency and limiting the articulation of long-term strategic ambitions in sustainability reporting.

Directors may be disincentivised from disclosing long-term climate and sustainability targets or transition plans due to potential liability exposure, particularly in light of evolving regulatory scrutiny such as the FCA's anti-greenwashing rules.

Therefore, we support the introduction of a statutory safe harbour regime in respect of sustainability-related forward-looking statements, subject to an appropriate framework.

Such a framework should provide protection where disclosures are made in good faith, are clearly identified as forward-looking, are based on reasonable assumptions, and are accompanied by suitable disclaimers.

This would:

- promote legal certainty, support transparent and ambitious sustainability reporting;
- align UK practice with emerging international standards as well as other UK regulatory expectations such as the FCA Policy Statement (PS 25/9) on the final rules to implement the new Public Offers and Admissions to Trading Regulations 2024 (POATRs) which allow the application of safe harbour for certain sustainability-related disclosures such as (i) strategy; (ii) transition plans; and (iii) metrics and targets; and
- support the broader policy objective of transitioning to a sustainable economy through informed stakeholder engagement.

The introduction of a safe harbour would strike an appropriate balance between legal accountability and regulatory encouragement, fostering a more robust and forward-looking sustainability disclosure landscape in the UK. We would like to also note that although a statutory safe harbour – if introduced – would mitigate certain risks, directors and companies remain exposed to litigation risk.

We further recommend that both the Companies Act 2006 and the FCA Listing Rules adopt a consistent approach by incorporating a statutory safe harbour for sustainability-related forward-looking statements. This alignment would ensure coherence across the UK's corporate and financial regulatory frameworks, providing issuers and directors with greater legal certainty and encouraging transparent, good-faith disclosures in line with evolving market and stakeholder expectations.

19. If you have any other comments (including any supporting evidence) on the potential costs and benefits of UK SRS for any stakeholder, including any comments on sector-specific impacts, explain them here.

In Q1 2025 some firms responded to the FCA, in an exercise to quantify the impact of increased sustainability reporting, specifically referencing ISSB. The conclusion was firms would experience a significant cost increase in terms of resource input, especially for year 1 of ISSB (UK SRS) disclosure, and likely continued elevated costs beyond year 1. We recommend that DBT reviews the results of that exercise.

Additional guidance or education materials

20. What are your views on the quality and availability of existing guidance for the topics listed in paragraph 5.4? Explain what additional guidance – particularly on a global basis – would be helpful and why.

Current Limitations in Guidance

- **Limited use-case examples:** Many frameworks offer principles and definitions but fall short of providing real-world examples that illustrate how disclosures should be applied in practice. This limits preparers' ability to interpret requirements consistently and confidently.

- **Sector-specific detail:** Guidance is often too generic, failing to reflect the nuances of different industries. This is particularly challenging for sectors with complex value chains, such as financial services, where financed emissions and Scope 3 disclosures require tailored approaches.
- **Global inconsistency:** International standards vary in terminology, scope, and expectations, creating confusion for multinational entities. This undermines comparability and increases the compliance burden.

Members would also welcome further guidance on the following issues:

Scope 3 emissions

Further clarification is needed on Scope 3 emissions. Scope 3 information provides material information about a company's GHG emissions profile derived from its value chain and helps generate higher quality overall GHG emission footprint disclosures.

Scope 3 reporting remains a challenge across the economy, particularly in terms of the data challenges for financial services firms which have complex financed emissions chains. There should be a recognition in any future UK Scope 3 disclosure rules that reporting will be carried out on a best-endeavours basis and will improve as capacity and capability increase. There should be a recognition that banks will obtain data from a range of sources, including direct company disclosures and syndicated databases, and that the use of assumptions and proxy data should be permitted for estimating Scope 3 emissions where primary data is not readily available. The EU has recognised the need for multiple data sources in the revised ESRS, where EFRAG has removed the "hierarchy" for data input for value chain metrics and allowed the use of both primary data and estimates.[3]

There would be merit in applying a materiality lens to mandatory disclosure requirements such as scope 3 emissions. IFRS S1 states that entities shall disclose information that is useful to primary users. Additionally, under IFRS S2, an entity is required to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. The interaction of these two materiality concepts in relation to the disclosure of Scope 3 emissions involves a high level of subjectivity and judgement. It would be helpful for examples and options to be provided to set out how entities may think about the interactions between these different concepts.

Restatements related to emissions reporting

[3] See EFRAG, Amended ESRS Exposure Draft July 2025 Basis for Conclusions, pg 17.

Further guidance is needed to support preparers, providing multiple examples for consideration of the trade-off between the usefulness of restating prior year comparatives while considering the cost and resource implications.

As mentioned in question 3, some firms steer away from the term "restatement" and instead suggest the term recalculation is used instead.

Disclosing financed emissions for a prior reporting period (as opposed to aligning the reporting date to financial reporting)

Whilst market practice for commercial banks, in relation to disclosing financed emissions for a prior reporting period, is not in line with IFRS S1 paragraph 64, we recommend that this could be an area where further guidance could be provided in order to help commercial banks work through these challenges while at the same time taking into account the overall principles around faithful representation and decision-usefulness for primary users.

Balancing the level of cost and effort on areas that are unlikely to be material

There are several areas where a significant amount of cost and effort may be expected by assurance providers, to ultimately "prove" materiality. Two specific areas where this may be relevant are firstly the identification of current financial effects, either in relation to climate risks or opportunities, secondly the impact of sustainability risks and opportunities on cost of capital and access to finance and finally the quantification of other scope 3 emission categories, such as employee commuting. It would be helpful for additional guidance to be provided to aid entities in working through how to consider these trade-offs in the context of these standards.

This response was submitted on 17 September 2025.

For any questions about this response, please contact:
Ian Bhullar – Director, Sustainability Policy ian.bhullar@ukfinance.org.uk or
Agathe Duchiron – Principal, Sustainability Policy agathe.duchiron@ukfinance.org.uk

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